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STATISTICAL BULLETIN

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Statistical Reference Index
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Highlights

- CONSUMER DEMAND GROWTH REMAINS VIGOROUS DESPITE NO PICK-UP IN HOME & CAR SALES
- STRONG CONSUMER OPTIMISM CONTINUES
- LABOR REPORTS REMAIN FAVORABLE
- INDUSTRIAL OUTPUT GROWTH IS STEADY AS CONSUMPTION AND INVESTMENT RISE AND EXPORT GROWTH CONTINUES MODEST
- UPTICK IN INFLATION IS LIKELY AS PRODUCTION GAINS CRAMP CAPACITY AND HOT, DRY WEATHER LIMITS CROPS
- OUTLOOK • FAIRLY VIGOROUS GROWTH IN THE THIRD AND FOURTH QUARTERS, AFTER VERY STRONG SECOND QUARTER

Volume 21, No. 7, July, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: A rise in exports and in business investment, combined with a steady increase in consumer demand, accelerated the pace of the U.S. economy in the first half of 1988.

Real GNP rose at a seasonally adjusted 3.6% annual rate in the first quarter. The consensus of the **Economic Forecasts** is that economic growth slowed to a still respectable 2.9% in the second quarter. About the same rate is projected for the second half of the year. The economy's sustained vigor contrasts sharply with post-crash assessments. How did the renewed vigor come about?

Some of the credit goes to a lower dollar. That facilitated a strong pick-up in U.S. exports and helped to stem the tide of imports. Domestic producers then recaptured some domestic market shares and sold more overseas. The added production created job opportunities, while the added income propped up consumer demand. That's not the whole story, but the end results are that growth is up, unemployment down, and inflation remains reasonably in check. None of that, however, stopped a rise in interest rates in mid-July. That enhances prospects for some slowing of growth in the second half of 1988.

DOMESTIC MARKET MONITOR

Labor market signals are highly conflicting. Although the June rise in employment was impressive, The Conference Board's **Help-wanted Index**, a measure of labor demand, has been flat since the end of last year and early returns to the June survey suggest no change. In addition, there has been very little increase in adult labor force participation. That might suggest that some people have given up hope of finding a job, a possibility that does not square with anecdotal accounts of hard-to-fill vacancies. A better, and simpler, explanation may be that the rise in labor force participation was underestimated. That would imply that June's 5.3% unemployment rate overstates the degree of tightness in the labor market. That point is supported by the fact that hourly pay rates did not rise in June.

Whatever the origin of the surprisingly strong job growth in the first half of the year, it is unlikely to be matched in the second half. The consensus of the **Economic Forecasts** is that the unemployment rate will remain at about 5½% for the remainder of the year.

INCOME: The steady rise in the number of wage earners has led to fairly strong income gains. Wages in commodity-producing industries were 1.4% higher in May than three months earlier. Wages in the "other industry" category were 1.9% higher. Moreover, the June rise in employment and hours worked (but not in hourly pay rates), suggests that wage income continues to rise at a brisk pace. The rise in spending power could add momentum to consumer demand.

Nonwage income growth, in contrast, has begun to weaken a a little, except for dividends and shopkeepers' income, which continue to rise sharply. Overall, nonwage income was 1.5% higher in May then three months earlier. Interest income was only 0.2% higher. Rental income continued to decline.

Consumer willingness to borrow remains quite subdued. The ratio of **Consumer Debt Expansion to Personal Income** declined in May, principally as a result of income growth and a fairly sharp drop in car loans. Car sales were a little stronger in June than in May, raising the possibility that May's fall in borrowing was a one-time occurrence. But nonauto loans show sign of reviving.

The recent good news from the labor market, as well as continued strong income gains, has reinforced consumer atttudes. The Conference Board's **Consumer Confidence Index** stood at 115.5 in June, identical to its pre-crash level. The Expectations component (appraisal of job and pay prospects six months hence) registered 108.7 in June, which is below last September's level but nonetheless strong. These readings suggest that consumers believe economic conditions are good right now and are optimistic the economy will still be quite healthy in six months.

SPENDING: Bouyed by strong income gains and upbeat attitudes, consumer spending remains brisk. Retail sales, except autos, were 2% higher in May than three months earlier, and sales of durable goods, except autos, were 2.9% higher.

Car buying remains a weak spot in the otherwise solid performance of consumer demand. New domestic **Automobile Sales** slowed in April and May. And although sales rebounded in June, sales for the model year to date have not surpassed those of the prior year. Sales of foreign models have been running a little lower this year than last. There are no indications that car sales will take off in the second half of the year.

CONSTRUCTION: New home sales have been another weak spot in consumer demand. By March, new, single-family home sales were back to last October's level. However, the fact that sales were flat in April and May suggests the recovery has reached a plateau, at a still depressed level.

Ken Goldstein, Editor

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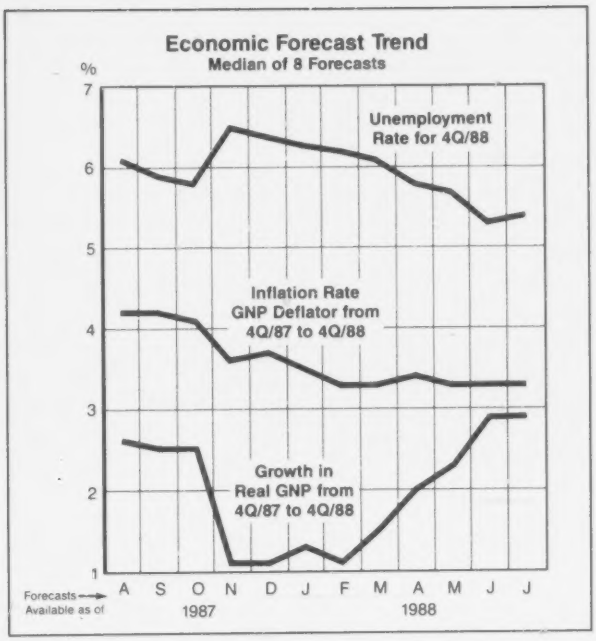


Nor are home sales likely to resume recovery in the second half of 1988. In fact, the latest hike in interest rates is likely to hurt car and home sales, already the two weakest segments of consumer demand. Homebuilders were not anticipating a resumption of home sales before the latest rate hikes. Single unit housing starts were 10.3% lower in May than three month earlier. Construction of rental units is also very weak.

Even though homebuilding is weak, construction employment is up. The reason is a recovery in nonresidential building, a reflection of the strength in business investment. Industrial building was 24% higher in May than three months earlier. The rise in office, commercial, and public building was less dramatic but nonetheless impressive.

PRODUCTION: More output has been the response to more consumer demand and more business investment, together with a rise in export orders. Total industrial production was 1.2% higher in May than three months earlier, despite a decline in the output of defense- and space-related materiel. The gains in employment and hours worked in June suggest another sharp rise.

As producers continue to fill old orders faster than new orders come in, new orders for durable goods have started to rise again. Total orders, except defense-related, were 1.2% higher in May than three months earlier.

INVENTORY: The rise in stocks on hand over the first half of 1988 matched the pace of sales. Total inventory, except cars at the retail level, was 1.8% higher in April than three months earlier. But the Inventory-to-Sales ratio did not change over this period. Thus, despite some inventory building, stocks remain reasonably lean.

INFLATION: The latest inflation fear is that the hot, dry weather will result in crop losses, which would push up food prices. The Agricultural Department reported a one-quarter decline in harvests to date this year. But it also noted that there are ample food stocks on hand.

Another inflation concern is that, given its strength, the economy may overheat. Indeed, the overall capacity utilization rate approached 83% in April and May, after hovering around 82½% over the prior four months.

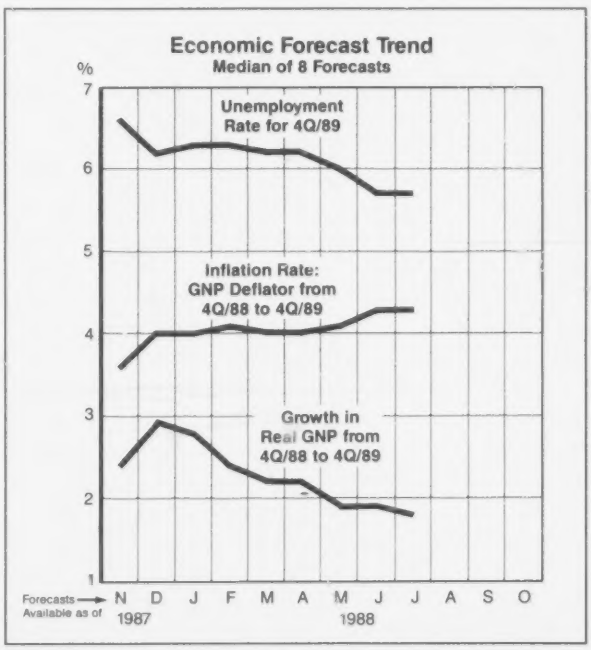
Inflation is unlikely to heat up markedly. The consensus of the **Economic Forecasts** is that the CPI will rise by about 5% in the second half of this year, and probably be limited to a 5½% hike in 1989. Notwithstanding that modest inflation outlook the prime rate was hiked in July. But consumer borrowing remains subdued, business borrowing to finance investment or inventory is not rising sharply, the banks' cost of raising funds has not suddenly spurted, and the dollar remains stable. That evidence suggests inflationary fears outweigh the data on current conditions or the consensus forecasts of were we go from here.

INTERNATIONAL MONITOR

Despite gains in both consumer buying and business investment, imports have remained stable. Total imports of manufactured goods were no higher in April than last November, principally because of reduced consumer goods purchases.

The rise in exports, while no longer explosive, remains strong. While imports have been stable since November, exports rose 8.2% over the same period. Import growth may resume in the second half of the year. But there are no indications of a fall off in export growth.

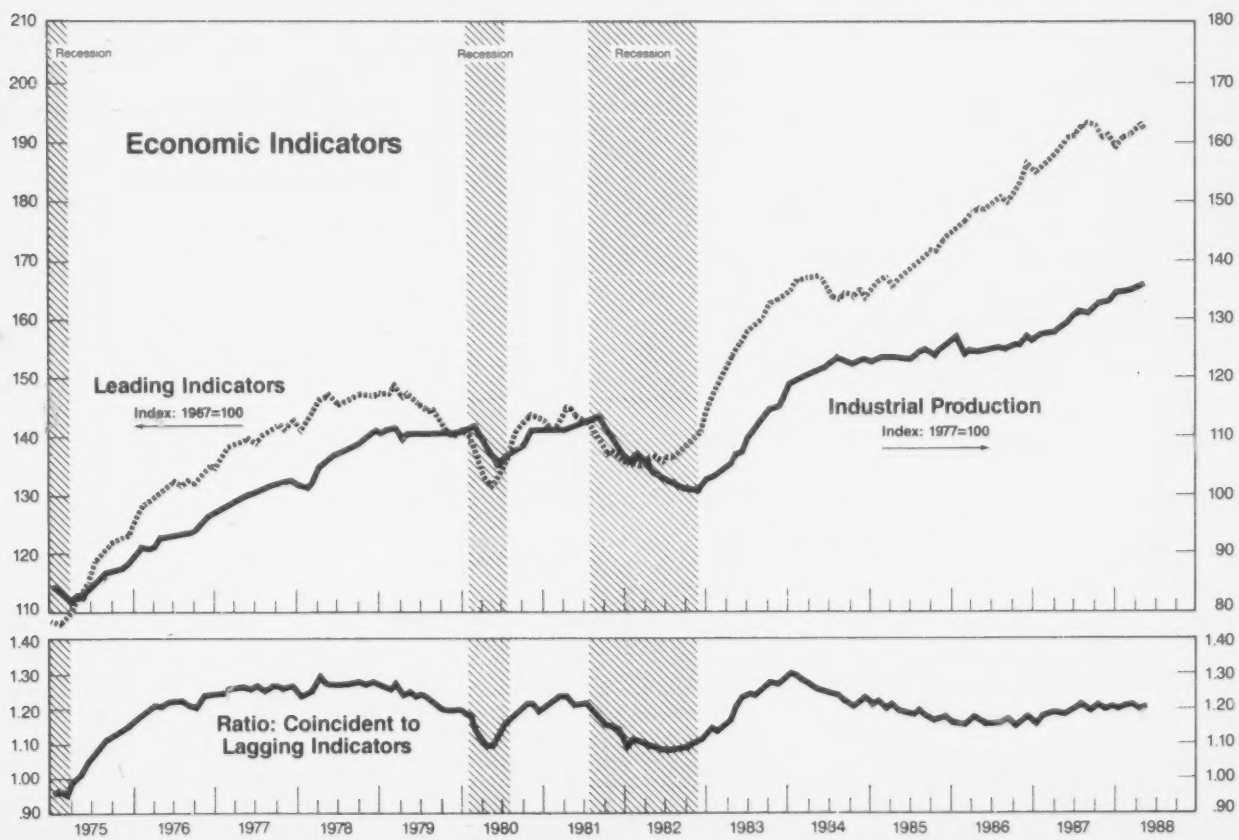
Ken Goldstein
July 14, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May	X			1.4%	2.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May			X	- 7.2%	4.2%
New orders, nondefense capital goods (deflated)	May			X	- 6.7%	4.4%
*New business formation	May		X		- 0.1%	3.8%
*Housing permits	May		X		0.4%	- 4.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May	X			2.9%	6.0%
*Change in inventory, on hand & order (deflated)	Apr.			X	-16.4%	- 8.2%
Purchasing agents' buying policy	Jun.		X		- 8.0%	3.0%
*Vendor performance, reported slower deliveries	May		X		0.0%	6.0%
Industrial raw materials prices	Jun.	X			6.0%	12.0%
*Change in sensitive material prices	May	X			0.3%	- 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May	X			0.6%	1.4%
Change in business loans	May			X	-45.3%	25.8%
*Change in credit outstanding	Apr.		X		- 1.1%	5.4%
Change in consumer installment debt	Apr.			X	-31 1%	-11.7%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	- 1.4%	10.0%
*Common stock prices	Jun	X			2.4%	- 9.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	May		X		0.1hr	0.1hr
*Initial unemployment claims (inverted)	May			X	4.4%	5.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



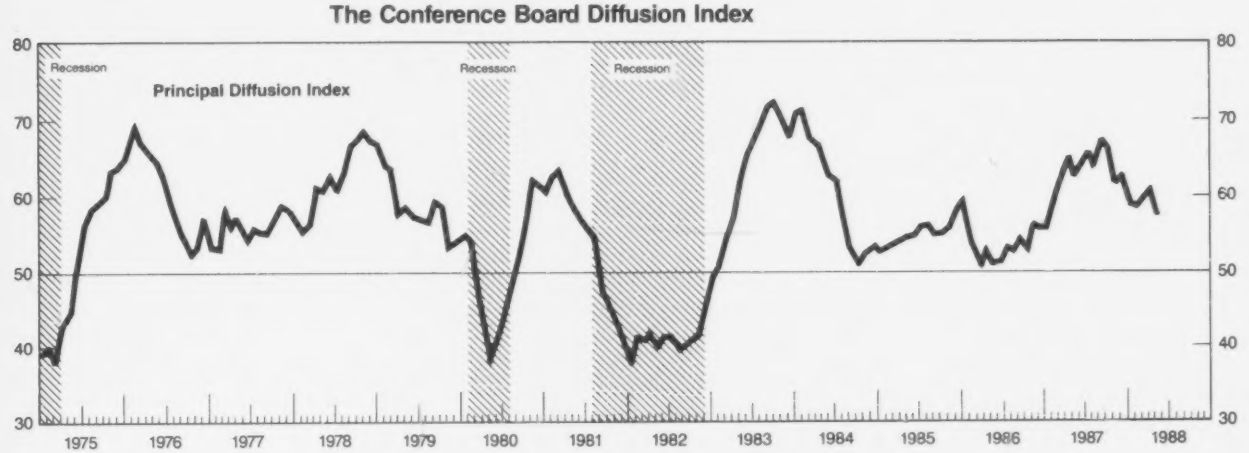
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 May	1988 Feb.	1988 Mar.	1988 Apr.	1988 May(e)
Principal Diffusion Index	61.7	58.5r	59.1r	60.5r	57.4
Auxillary Diffusion Index	46.9r	49.0r	51.9r	54.8r	39.8
Industrial Group	59.0	58.7r	59.9r	64.4r	59.3
Nonindustrial Group	64.4	58.3	58.2	56.7r	55.5
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.1	62.8	62.4r	67.5r	67.1
Labor	57.7	56.3r	56.8r	60.4r	54.5
Miscellaneous	54.5	58.3	64.1	69.9	59.6
Nonindustrial Subgroups					
Prices	85.3	60.9	57.7	55.1	53.2
Consumer	66.2	69.7	74.4	68.4	63.2
Building	40.7	47.4	48.1	48.7	49.4
Miscellaneous	64.5	52.6	49.1	51.3r	53.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Aug.	1985 Nov.	1985 Feb.	1985 May	1986 Aug.	1986 Nov.	1986 Feb.	1986 May	1987 Aug.	1987 Nov.	1987 Feb.	1987 May
	Score (scale 0-100)											
Measure of Business Confidence	51	55	61	61	50	51	55	55	59	47	51	58
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	45	53	63	61	44	50	56	55	62	50	49	64
2. Expectations for Economy, Six Months Ahead	53	56	62	62	52	51	54	53	56	43	50	54
3. Expectations for Own Industry, Six Months Ahead	54	56	59	60	54	53	56	56	58	48	54	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

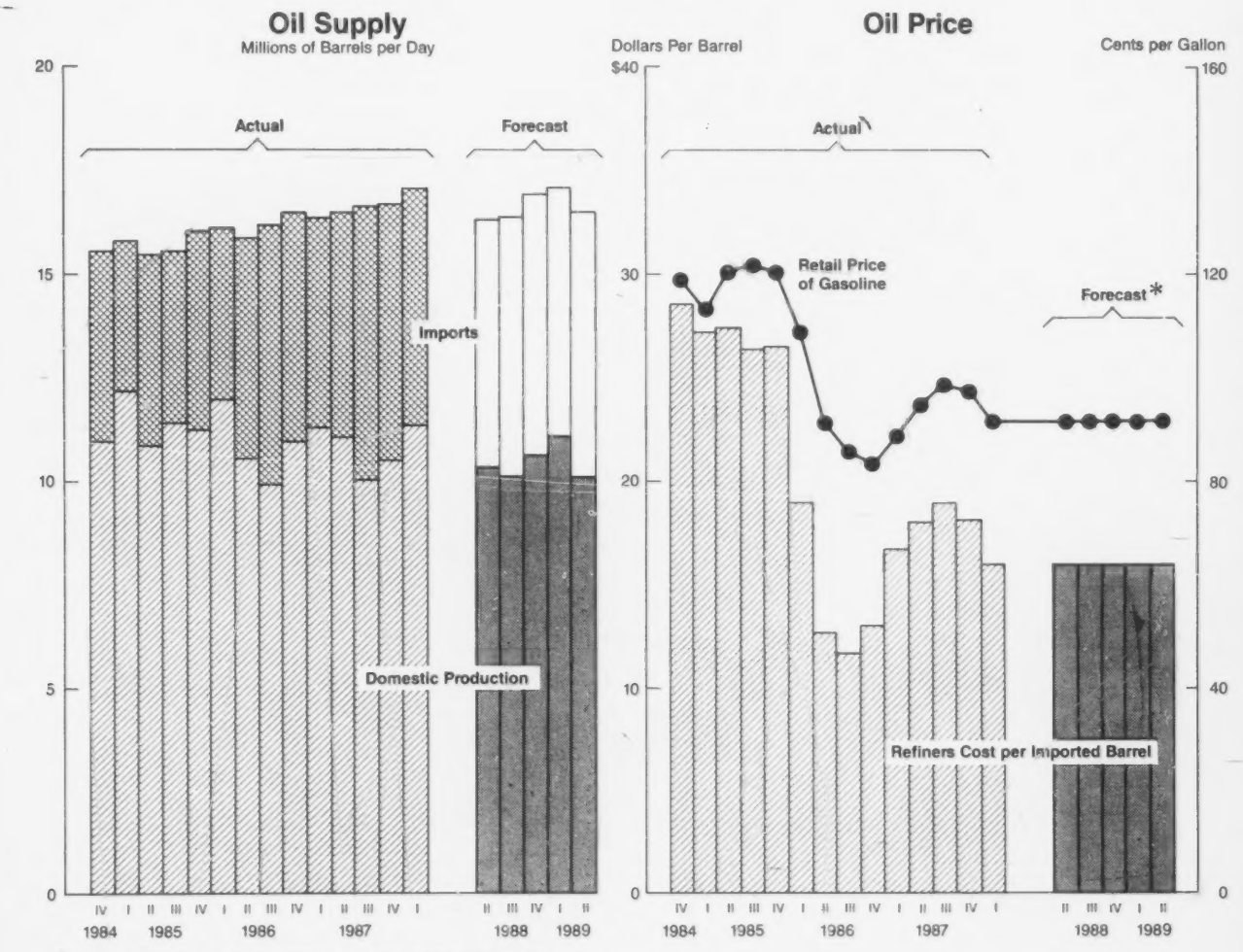
Billions of Dollars, Seasonally Adjusted

	1986		1987				1988	Percent Change From Previous Year	
	III	IV	I	II	IIIr	IVr	Ip	Actual 1987	Estimate 1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.203	22.097	21.441	32.257	29.561	35.909	32.034	31%	11%
Capital expenditures	22.452	23.299	20.801	25.933	27.381	29.820	30.279	11	21
Change in appropriations backlog*	-5.060	-10.990	-0.550	+5.460	-0.080	+3.510	+0.870		
Durable Goods									
New appropriations	10.807	10.807	9.746	16.515	17.208	20.245	15.124	55	3
Capital expenditures	12.186	12.915	11.124	14.006	13.970	16.037	16.496	17	22
Change in appropriations backlog*	-3.986	-4.140	-2.070	+2.310	+2.930	+3.810	-1.720		
Nondurable Goods									
New appropriations	10.152	11.290	11.695	15.742	12.353	15.664	16.910	24	18
Capital expenditures	10.266	10.384	9.677	11.927	13.411	13.783	13.783	6	21
Change in appropriations backlog*	-1.074	-6.853	+1.520	+3.160	-3.010	-0.300	+2.590		
ELECTRIC & GAS UTILITIES									
New appropriations	5.530	5.491	6.482	5.569	5.135r	6.094p			
Capital expenditures	7.535	6.080	7.622r	7.032r	7.728r	6.524p			
Change in appropriations backlog*	-2.110	-1.005	-0.810r	-1.590r	-2.830r	-0.680p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

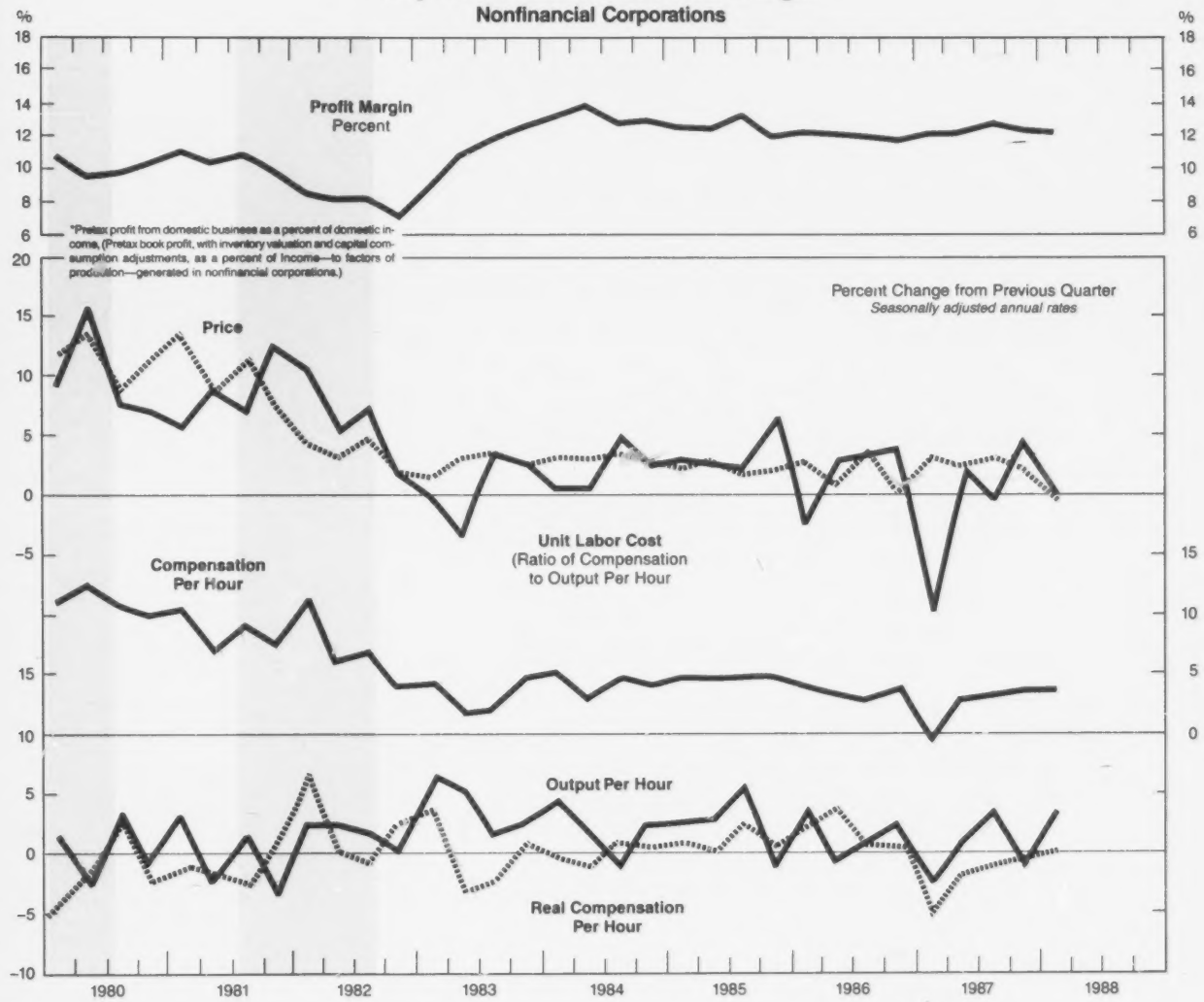
r—revised p—preliminary

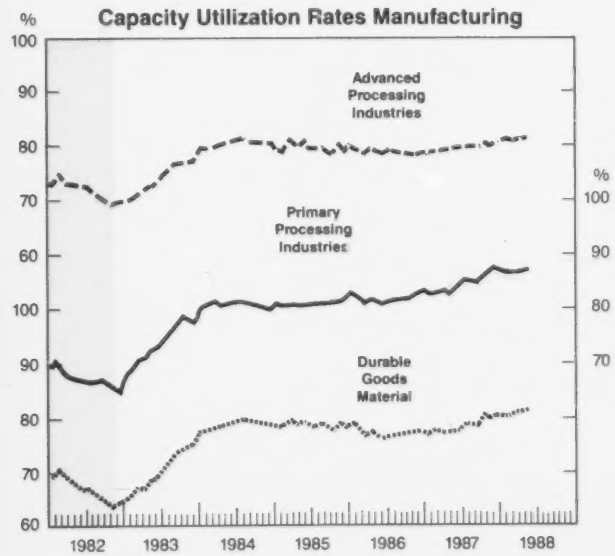
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



* Source of Forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin





ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*May, 1988*		*June, 1988*		*June, 1988*		*June, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**I**	**$4668.7**	**5.4%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**
Forecast	1988	II	4739.0	6.2	4753.8	7.8	4747.7	7.3	4748.0	7.3
		III	4790.6	4.4	4840.4	7.5	4830.0	7.1	4834.1	7.5
		IV	4849.1	5.0	4925.4	7.2	4899.0	5.8	4911.4	6.6
	1989	I	4937.9	7.5	5014.3	7.4	4973.8	6.2	4990.7	6.6
		II	5016.3	6.5	5068.6	4.4	5039.3	5.4	5072.5	6.7
		III	5090.0	6.0	5125.1	4.5	5112.6	5.9	5143.6	5.7
		IV	5181.8	7.4	5224.4	8.0	5196.8	6.8	5164.8	1.7
	1990	I	5260.9	6.2			5294.0	7.7		
		II	5331.0	5.4			5398.7	8.1		
	1988	Annual	4761.9	6.1	4796.2	6.9	4785.5	6.6	4789.7	6.7
	1989	Annual	5056.5	6.2	5108.1	6.5	5080.6	6.2	5092.9	6.3
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**I**	**$3918.0**	**3.9%**	**$3915.4**	**3.6**	**$3915.4**	**3.6%**	**$3915.4**	**3.6%**
Forecast	1988	II	3930.1	1.2	3944.2	3.0	3940.0	2.5	3955.0	4.1
		III	3940.8	1.1	3971.8	2.8	3959.0	1.9	3982.5	2.8
		IV	3953.0	1.2	3997.7	2.6	3978.0	1.9	4006.3	2.4
	1989	I	3983.5	3.1	4018.3	2.1	3995.0	1.7	4015.0	0.9
		II	4005.7	2.2	4015.1	-0.3	4009.0	1.4	4029.7	1.5
		III	4023.4	1.8	4012.3	-0.3	4032.0	2.3	4031.6	0.2
		IV	4054.1	3.1	4045.3	3.3	4060.0	2.8	4035.2	0.4
	1990	I	4065.0	1.1			4088.0	2.8		
		II	4073.7	0.9			4118.0	3.0		
	1988	Annual	3935.5	3.0	3957.3	3.6	3948.1	3.3	3964.8	3.8
	1989	Annual	4016.7	2.1	4022.8	1.7	4024.0	1.7	4027.9	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**I**	**119.2**	**1.5%**	**119.1**	**1.4%**	**119.1**	**1.4%**	**119.1**	**1.4%**
Forecast	1988	II	120.6	4.9	120.5	4.7	120.5	4.6	120.1	3.1
		III	121.6	3.3	121.9	4.5	122.0	5.1	121.4	4.5
		IV	122.7	3.7	123.2	4.5	123.2	3.8	122.6	4.0
	1990	I	124.0	4.3	124.8	5.2	124.5	4.5	124.3	5.7
		II	125.2	4.2	126.2	4.7	125.7	3.9	125.9	5.2
		III	126.5	4.2	127.7	4.8	126.8	3.5	127.6	5.5
		IV	127.8	4.2	129.1	4.5	128.0	3.8	128.0	1.3
	1990	I	129.4	5.1			129.5	4.8		
		II	130.9	4.5			131.1	5.0		
	1988	Annual	121.0	3.0	121.2	3.2	121.2	3.2	120.8	2.8
	1989	Annual	125.9	4.0	127.0	4.8	126.3	4.2	126.4	4.7
Unemployment Rate										
Actual	**1988**	**I**		**5.7%**		**5.7%**		**5.7%**		**5.7%**
Forecast	1988	II		5.5		5.5		5.5		5.6
		III		5.6		5.4		5.6		5.4
		IV		5.7		5.3		5.6		5.3
	1989	I		5.7		5.3		5.7		5.4
		II		5.7		5.7		5.8		5.4
		III		5.7		6.2		5.9		5.5
		IV		5.6		6.0		5.8		5.6
	1990	I		5.6				5.8		
		II		5.7				5.7		
	1988	Annual		5.6		5.5		5.6		5.5
	1989	Annual		5.6		5.8		5.8		5.5

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[2]Based on revised first quarter data.

[1]Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

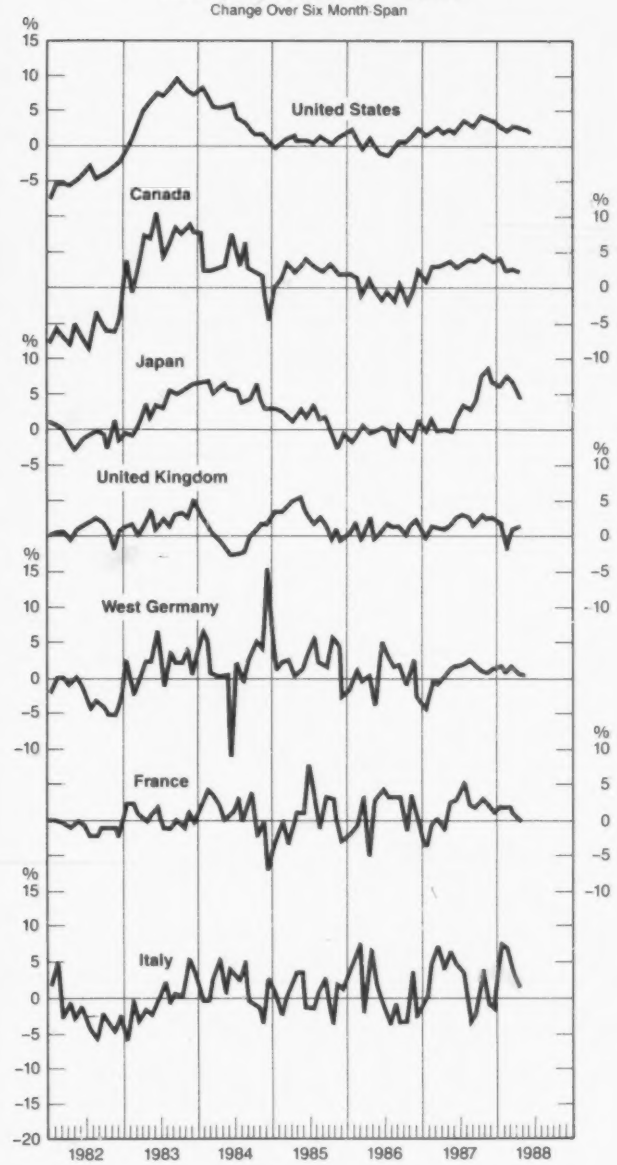
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
June, 1988		*June, 1988*		*June, 1988*		*June, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4665.1	**5.1%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**	**I**	**1988**	**Actual**
4736.0	6.2	4739.5	6.5	4747.9	7.3	4750.0	7.5	II	1988	Forecast
4808.0	6.2	4812.7	6.3	4797.9	4.3	4832.6	7.1	III		
4884.0	6.5	4884.5	6.1	4864.8	5.7	4911.6	6.7	IV		
4968.0	7.1	4962.1	6.5	4961.9	8.2	4997.4	7.2	I	1989	
5020.0	4.3	5036.6	6.1	5035.3	6.0	5071.0	6.0	II		
5057.0	3.0	5111.7	6.1	5113.9	6.4	5141.4	5.7	III		
5113.0	4.5	5187.8	6.1	5212.2	7.9	5211.4	5.6	IV		
		5280.1	7.3	5310.0	7.7	5289.4	6.1	I	1990	
		5360.3	6.2	5406.0	7.4	5386.1	7.5	II		
4773.3	6.3	4775.5	6.4	4768.9	6.2	4789.8	6.7	Annual	1988	
5039.5	5.6	5074.6	6.3	5080.8	6.5	5105.3	6.6	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3915.4	**3.6%**	**$3915.4**	**3.6%**	**$3915.4**	**3.6%**	**$3915.4**	**3.6%**	**I**	**1988**	**Actual**
3950.2	3.6	3944.1	3.0	3937.7	2.3	3942.8	2.8	II	1988	Forecast
3973.9	2.4	3970.0	2.7	3949.4	1.2	3965.6	2.3	III		
3993.5	2.0	3992.9	2.3	3968.9	2.0	3990.9	2.6	IV		
4013.2	2.0	4011.9	1.9	4003.4	3.5	4013.0	2.2	I	1989	
4003.1	−1.0	4032.6	2.1	4021.1	1.8	4025.1	1.2	II		
3985.0	−1.8	4055.1	2.3	4043.1	2.2	4035.3	1.0	III		
3985.0	0.0	4082.3	2.7	4078.2	3.5	4050.3	1.5	IV		
		4107.0	2.4	4103.9	2.5	4063.2	1.3	I	1990	
		4127.2	2.0	4131.3	2.7	4095.5	3.2	II		
3958.3	3.6	3955.6	3.5	3942.9	3.2	3953.7	3.5	Annual	1988	
3996.6	1.0	4045.5	2.3	4036.5	2.4	4030.9	2.0	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
119.1	**1.4%**	**119.1**	**1.4%**	**119.1**	**1.4%**	**119.1**	**1.4%**	**I**	**1988**	**Actual**
119.9	2.5	120.2	3.5	120.6	4.9	120.5	4.5	II	1988	Forecast
121.0	3.7	121.2	3.6	121.5	3.0	121.9	4.7	III		
122.3	4.4	122.3	3.7	122.6	3.6	123.1	4.0	IV		
123.8	5.0	123.7	4.5	123.9	4.5	124.5	4.8	I	1989	
125.4	5.3	124.9	4.0	125.2	4.2	126.0	4.8	II		
126.9	4.9	126.1	3.8	126.5	4.1	127.4	4.6	III		
128.3	4.5	127.1	3.3	127.8	4.2	128.7	4.0	IV		
		128.6	4.8	129.4	5.0	130.2	4.8	I	1990	
		129.9	4.2	130.9	4.6	131.5	4.2	II		
120.6	2.7	120.7	2.8	120.9	3.0	121.1	3.1	Annual	1988	
126.1	4.6	125.4	3.9	125.9	4.1	126.6	4.5	Annual	1989	
								Unemployment Rate		
	5.7%		**5.7%**		**5.7%**		**5.7%**	**I**	**1988**	**Actual**
	5.4		5.5		5.5		5.5	II	1988	Forecast
	5.4		5.4		5.5		5.4	III		
	5.3		5.4		5.6		5.4	IV		
	5.5		5.4		5.5		5.4	I	1989	
	5.8		5.4		5.5		5.6	II		
	6.1		5.5		5.5		5.8	III		
	6.2		5.5		5.4		6.0	IV		
			5.4		5.4		6.3	I	1990	
			5.5		5.3		6.6	II		
	5.5		5.5		5.6		5.5	Annual	1988	
	5.9		5.5		5.5		5.7	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

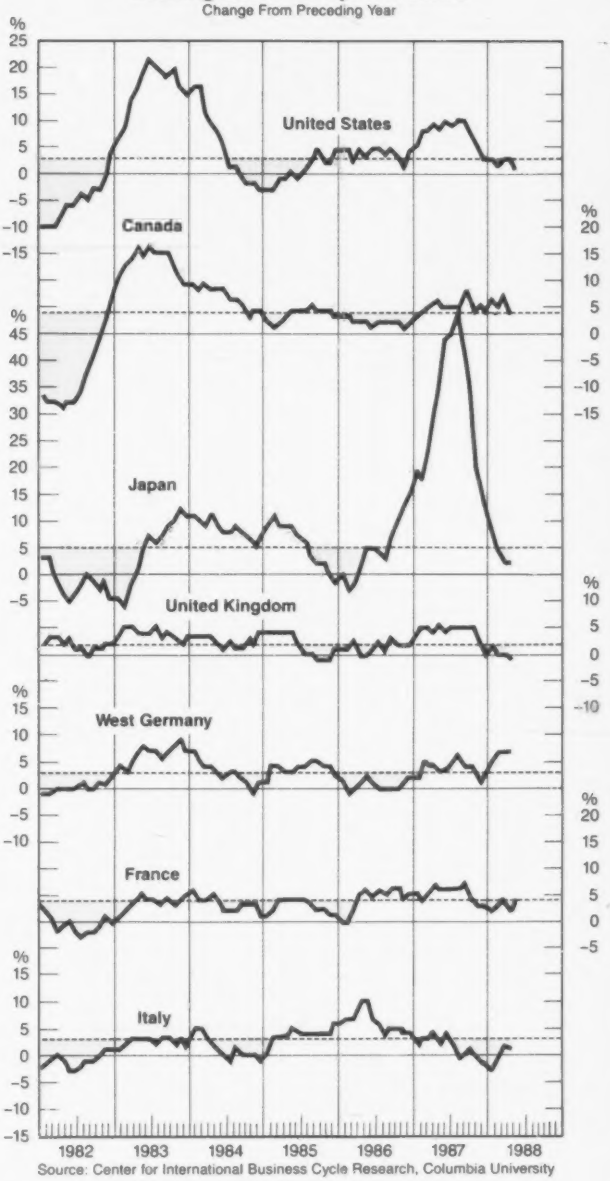
Industrial Production Indexes

Change Over Six Month Span



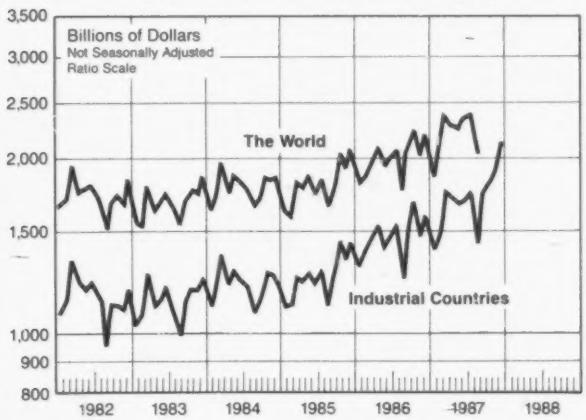
Leading Business Cycle Indexes

Change From Preceding Year

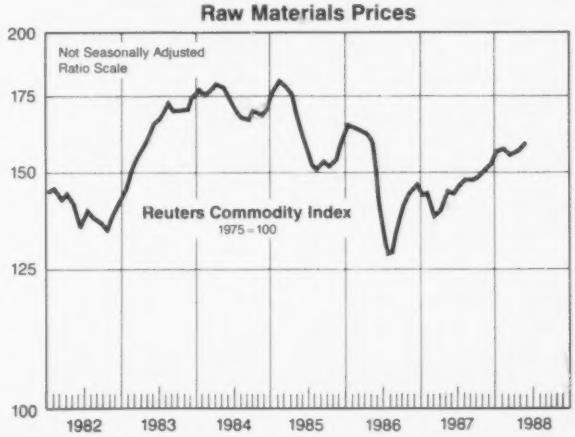


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

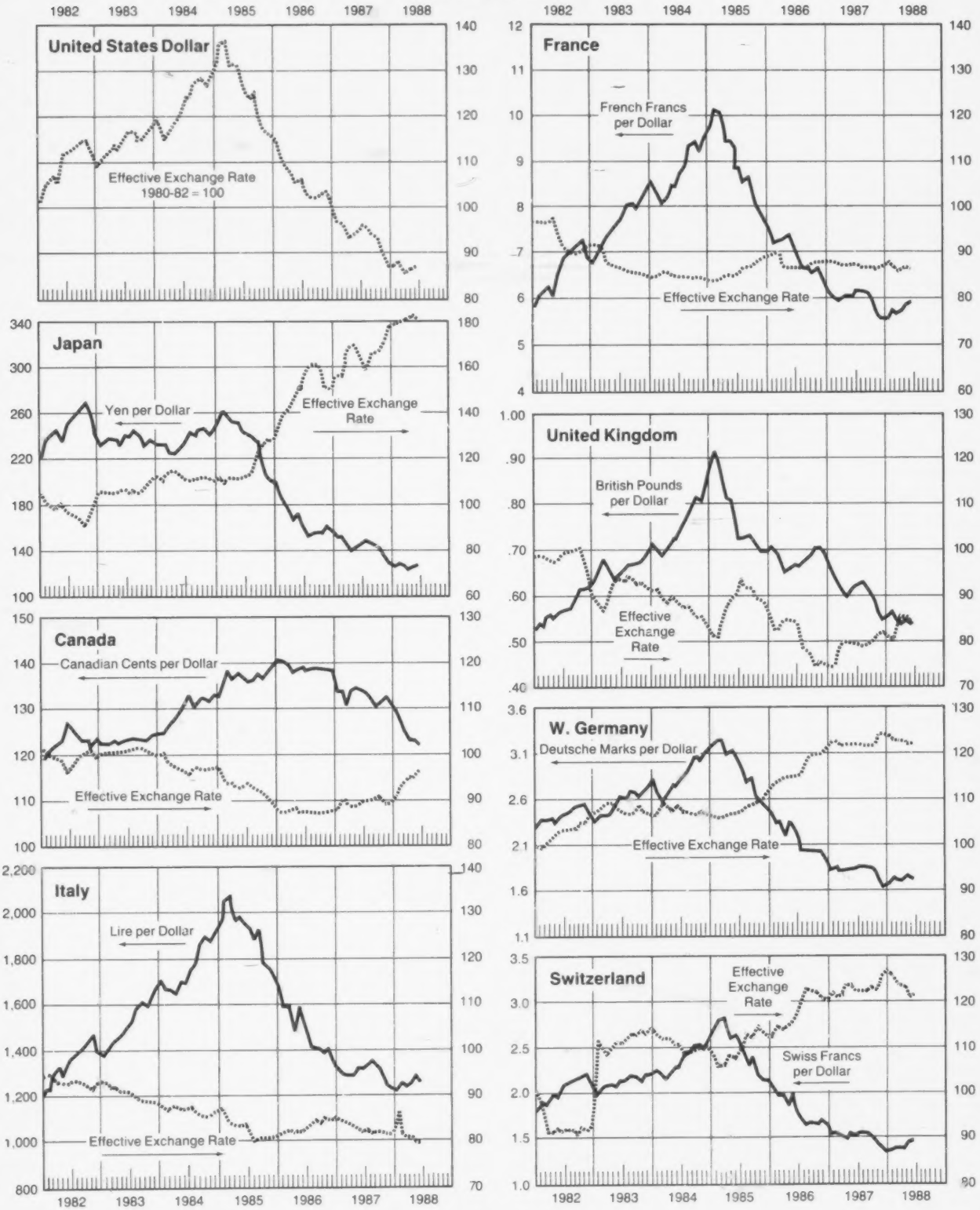


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

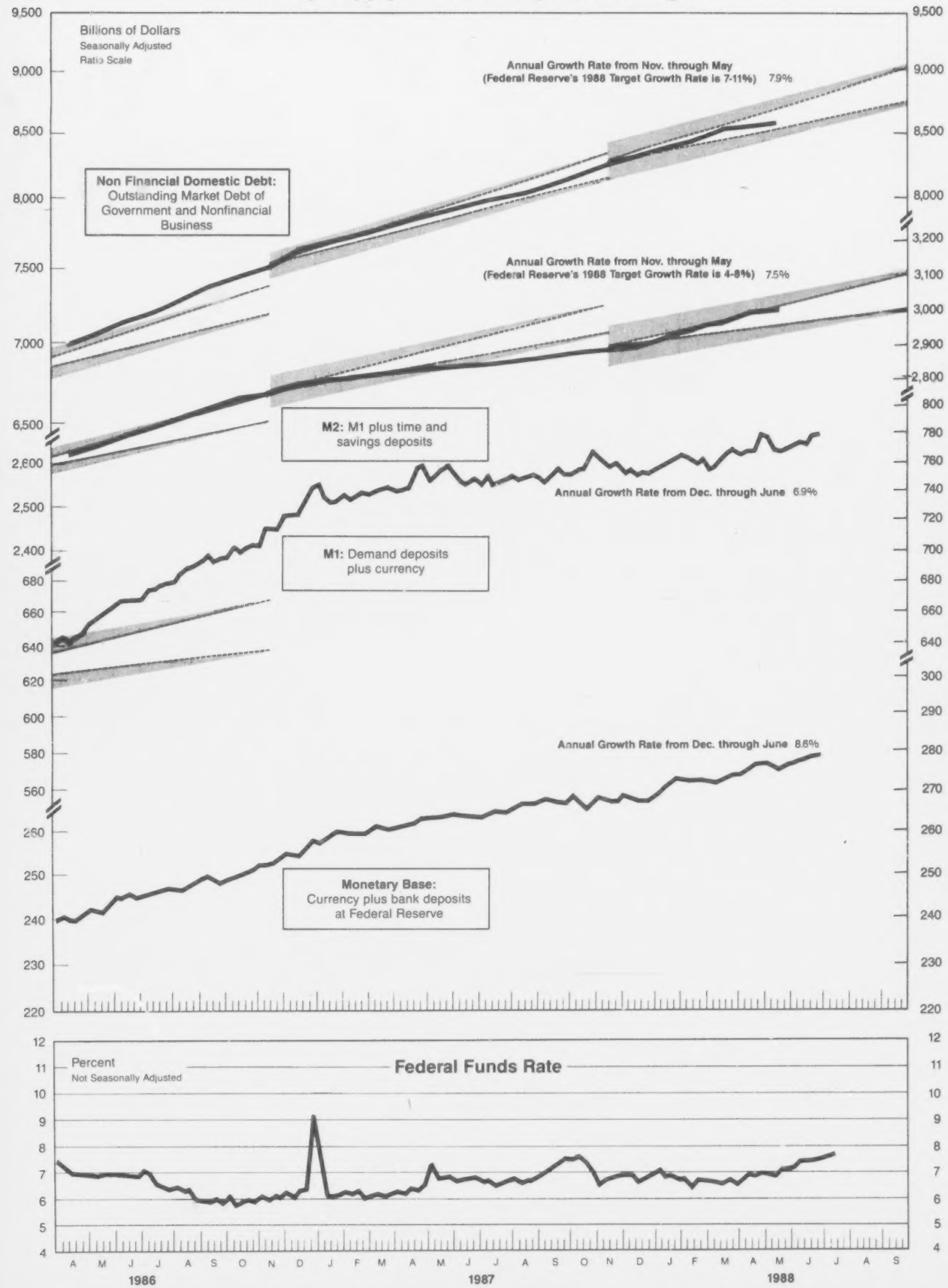
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Outlays	**1,004.6**	**1,055.9**	**1,094.6**	**1,094.5**	**1,099.7**
Deficit	**– 150.4**	**– 146.7**	**– 129.4**	**– 129.8**	**– 135.3**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Individual income	392.6	393.4	412.4	412.4	412.3
Social security	303.3	331.5	354.6	117.7	354.6
Corporate income	83.9	105.6	117.7	354.6	117.5
Other receipts	74.4	78.7	80.5	80.0	80.0
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,094.6**	**$1,094.5**	**$1,099.7**
Social security	282.5	298.6	319.1	317.8	320.4
National defense	282.0	285.4	294.5	294.0	294.0
Income security	123.2	129.6	137.5	135.6	138.1
Health	40.0	44.5	48.4	47.8	48.9
Education & manpower	29.7	33.7	34.5	37.4	35.4
Veterans benefits	26.8	27.7	28.0	29.6	28.4
Transportation	26.2	27.2	27.1	27.3	27.9
Agriculture	27.4	22.4	21.0	21.7	21.6
Natural resources	13.4	15.1	16.2	16.0	16.3
International affairs	11.6	9.9	16.2	13.3	16.2
General science	9.2	10.9	13.0	13.1	12.6
Justice	7.5	9.0	9.8	9.9	8.7
General government	7.6	8.8	9.7	9.5	9.4
Commerce, housing credit	6.2	12.4	7.2	7.9	9.3
Community development	5.1	6.3	6.0	5.9	6.6
Energy	4.1	2.7	3.4	3.1	4.4
Revenue sharing					
Interest	138.6	147.9	152.0	151.8	152.0
Allowances					
Offsetting receipts	– 36.5	– 36.2	– 49.2	– 47.2	– 50.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	5.9%	6.5%	5.8%	7.0%	6.8%
Constant (1982) dollar	2.9%	2.9%	2.3%	3.1%	2.6%
Implicit price deflator	3.3%	3.9%	3.4%	3.7%	4.1%
Consumer price index	4.6%	4.3%	4.5%	3.9%	4.9%
91-Day T bill rate	5.8%	5.3%	5.2%	5.2%	6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
Annual Growth Rate from Nov. through May
(Federal Reserve's 1988 Target Growth Rate is 7-11%) 7.9%
Non Financial Domestic Debt:
Outstanding Market Debt of
Government and Nonfinancial
Business
Annual Growth Rate from Nov. through May
(Federal Reserve's 1988 Target Growth Rate is 4-8%) 7.5%
M2: M1 plus time and
savings deposits
Annual Growth Rate from Dec. through June 6.9%
M1: Demand deposits
plus currency
Annual Growth Rate from Dec. through June 8.6%
Monetary Base:
Currency plus bank deposits
at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S
1986
1987
1988

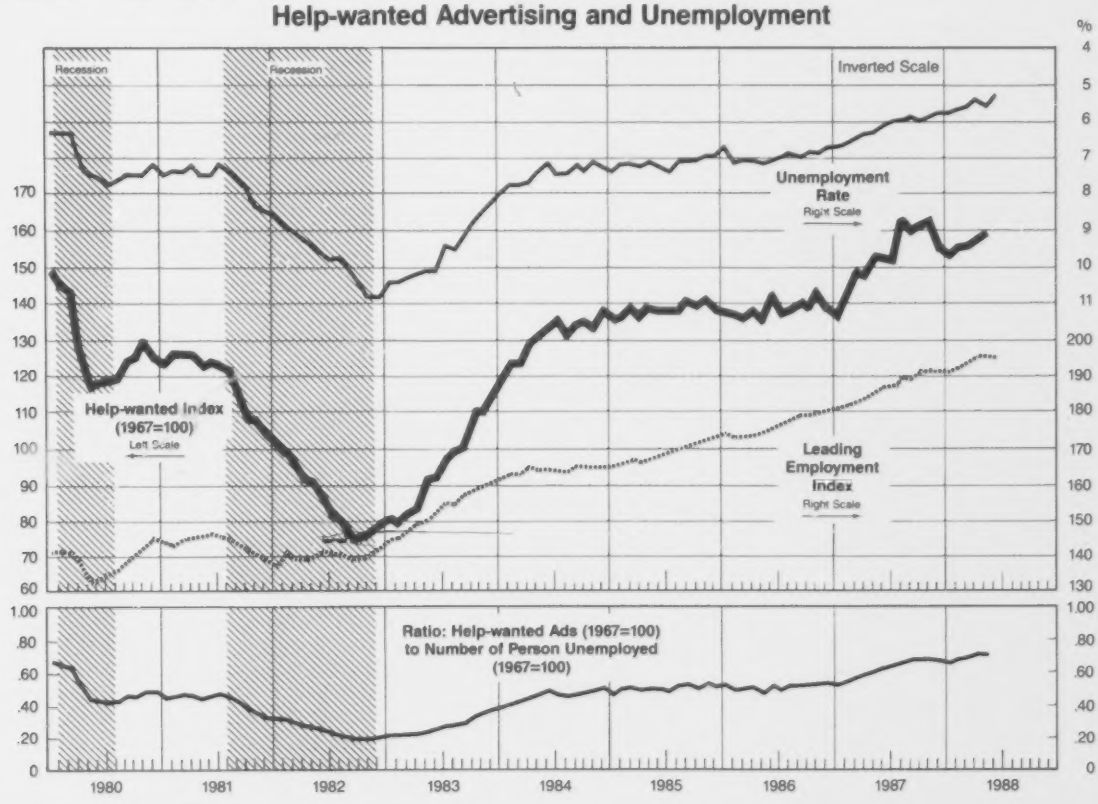
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 May	1988 Apr.	1988 Mar.	1987 May
National Index	160	157r	158	153
New England	166	161	171	185
Boston	161	151	165	186
Hartford	183	175	191	193
Providence	168	183	174	176
Middle Atlantic	93	87	92	88
Albany	216	223	233	193
Allentown	458	360	420	363
New York	62	60	65	65
Philadelphia	81	76	82	78
Pittsburgh	102	98	92	91
Rochester	107	104	105	89
Syracuse	162	159	151	143
East North Central	110	108	106	109r
Chicago	114	115r	116	115
Cincinnati	173	173	163	156
Cleveland	80	72	69	68
Columbus	198	174	169	191r
Dayton	97	95	90	85
Detroit	60	55	55	56
Gary	152	190	184	152
Indianapolis	134	131	130	113
Milwaukee	99	106	99	82r
Toledo	146	138	134	128
West North Central	103	102	101	100
Kansas City	162	152	150	163
Minneapolis	76	88	90	85
Omaha	173	162	154	146
St. Louis	75	71	67	64
South Atlantic	220	217	211	209
Atlanta	289	287	265	276
Baltimore	240	241	221	241
Charlotte	201	207	208	198
Jacksonville	238	240	227	234
Miami	174	176	171	104
Richmond	160	123	153	154
Washington, D.C.	199	197	201	208
East South Central	191	183r	169	165r
Birmingham	203	196r	179	113
Knoxville	323	312	307	267
Louisville	103	110	96	87
Memphis	149	156	149	143
Nashville	256	215	191	276r
West South Central	180	188	192	161
Dallas	162	161	160	145
Houston	253	287	301	228
New Orleans	128	128	124	112
Oklahoma City	129	118	113	102
San Antonio	144	137	139	139
Tulsa	150	137	139	134
Mountain	320	310	310	323
Denver	217	199	199	200
Phoenix	422	430	419	473
Salt Lake City	374	357	372	352
Pacific	251	248r	250r	241
Los Angeles	176	171	173	165
Sacramento	485	470	479	478
San Bernadino	N.A.	221r	289r	296
San Diego	598	614	601	564
San Francisco	254	256	254	240
Seattle	255	249	230	229
Percentage of papers with rising volume	69	61	59	73
Unemployment rate	5.6	5.4	5.6	6.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2r	115.5p						

Expectations Index

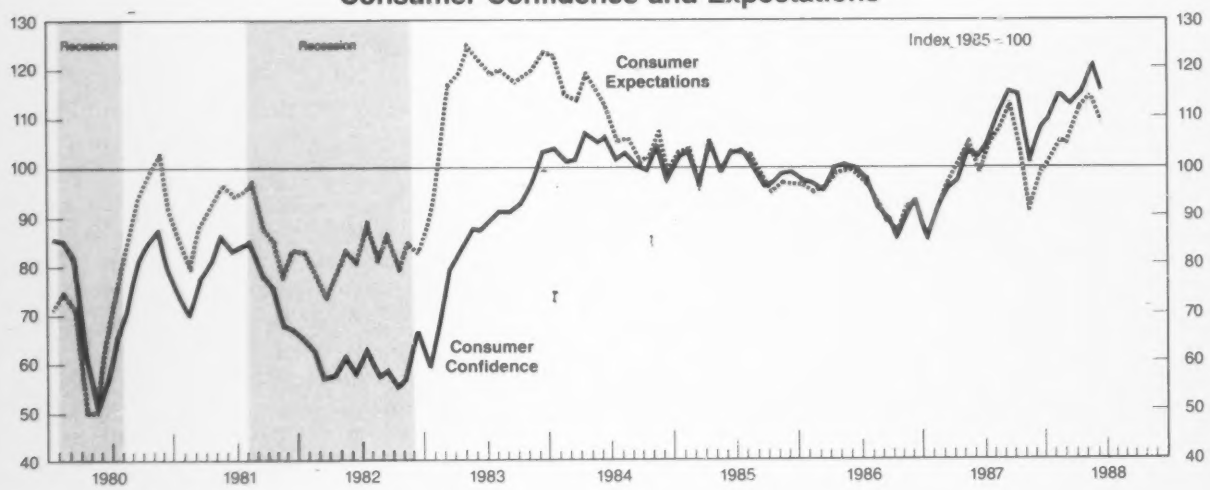
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4r	108.7p						

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

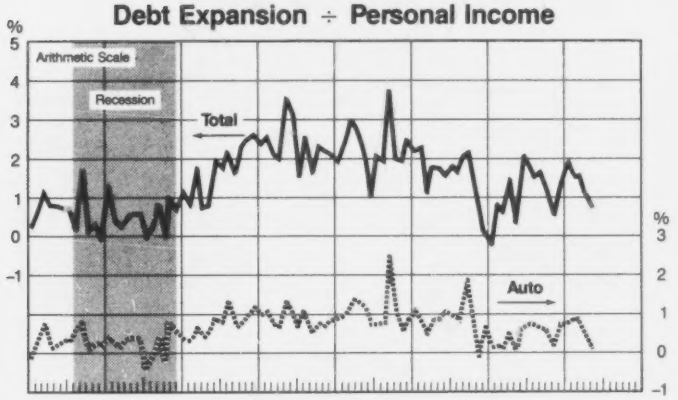
Consumer Confidence and Expectations



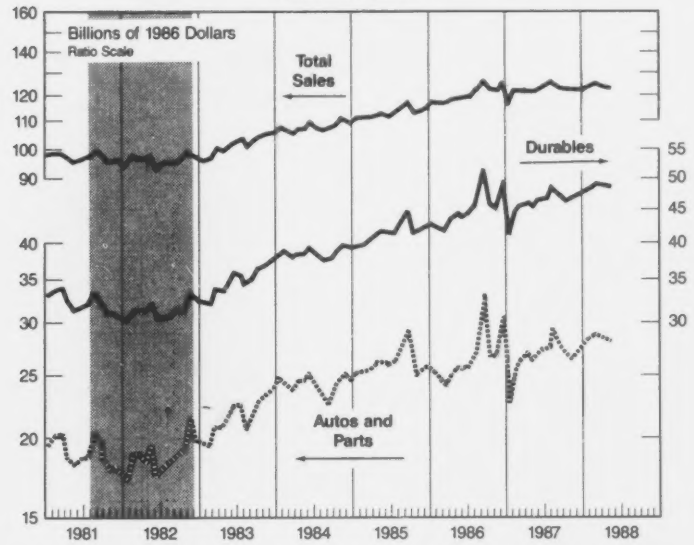
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available for downloading to your PC. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



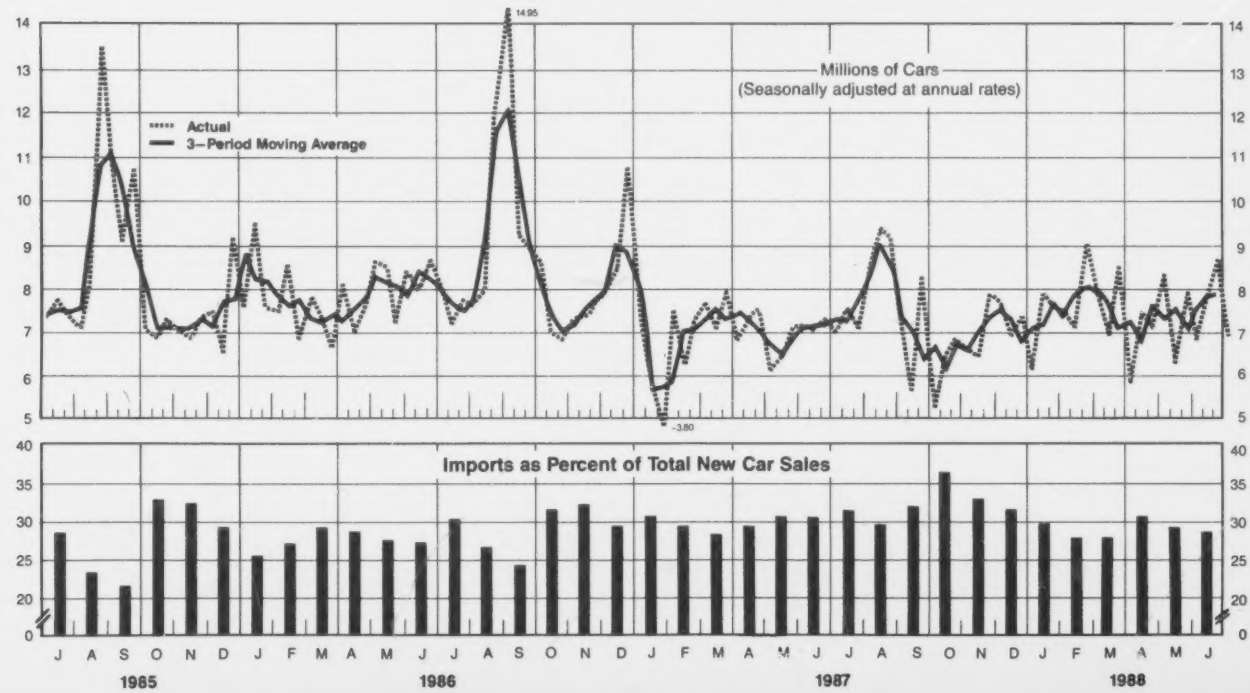
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-20	7.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales


14.95
-3.80
Millions of Cars
(Seasonally adjusted at annual rates)
Actual
3–Period Moving Average
Imports as Percent of Total New Car Sales
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J
1985
1986
1987
1988